



State Board of Equalization

# News Release

**Chairman Jerome E. Horton**

**4<sup>th</sup> District – Los Angeles**

Cynthia Bridges  
Executive Director  
[www.boe.ca.gov](http://www.boe.ca.gov)

**For Immediate Release  
August 4, 2014**

NR 111-14-H  
**Contact: Yating Campbell  
1-916-327-8988**

## **Board of Equalization Considers Adding Presumption for Nontaxable Tips**

**Sacramento** – At its Culver City Meeting on August 5-6, 2014, at 5901 Green Valley Circle, Room 207, the Board of Equalization is considering adopting a regulation to clarify the way a restaurant reports mandatory and optional tips. The regulation under consideration establishes a presumption that restaurants are correctly reporting the taxable mandatory service charges to the BOE when their records are kept consistent with the Internal Revenue Service (IRS) guidelines.

“In order to ease the burden of having to report optional and mandatory tips in different ways, I believe the California and IRS rules should be consistent,” said Chairman Jerome E. Horton. “This change in the regulation makes it easier for restaurateurs by allowing them to keep one set of books.”

When a restaurant applies automatic gratuities (tips) to their customers’ checks, such as for large parties, the tip is considered a mandatory part of the sale of the meal and therefore taxable. Conversely, tips that are not mandatory are not subject to sales tax. This regulation will enable restaurateurs to maintain one set of records to verify the way they report tips to both the BOE and the IRS.

In addition to considering adoption of this restaurant regulation, the Board will hear personal and franchise income, sales and use, and special tax appeals during its two-day meeting.

\* \* \* \* \*

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization’s Legislative Committee Chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects \$56 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit [www.taxes.ca.gov](http://www.taxes.ca.gov).

###